



Commonwealth  
of Massachusetts

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*Office of Campaign and Political Finance  
One Ashburton Place, Room 411  
Boston, MA 02108*

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### Advisory Opinion

May 16, 2002  
AO-02-25

Robert J. Alconada, Manager  
Massachusetts Dental Society  
Two Willow Street, Suite 200  
Southborough, MA 01745-1027

Re: Contributions by Association to PACs

Dear Mr. Alconada:

This letter is in response to your April 1 request for an opinion regarding political activity by the Massachusetts Dental Society ("MDS").

The MDS is a 501(c)(6) non-profit organization. It does not solicit or receive funds for a political purpose and, generally speaking, makes no political expenditures. You have indicated that you are aware of this office's "10/15 rule," set forth in IB-88-01, which makes it possible for associations, like MDS, to make a limited amount of political expenditures without being subject to the contribution limits or disclosure requirements of the campaign finance law.

There are presently two political committees affiliated with MDS: a political action committee ("PAC"), "Massachusetts Dentists Interested in Legislation" ("MDIL"), and a people's committee, "Massachusetts Dental People's Committee" ("MDPC"). You have stated that MDS has been charging the committees for the administrative services it provides to the committees, such as postage, printing, and lock box fees related to the annual dues statement mailed to MDS members. In addition, the committees are charged a percentage of the MDS budget for use of office supplies, telephones, facsimile machines, and computers. The charges are calculated each year and memorialized by the parties in a signed agreement.

Based on the foregoing, you have asked the following questions:

- (1) Can MDS exempt up to \$15,000 of the cost of administrative services it charges to MDIL and MDPC? Or, conversely, could MDS contribute \$15,000 on a yearly basis to MDIL and MDPC?

- (2) The current and proposed agreement for reimbursement of administrative charges for MDIL and MDPC combined is in excess of \$15,000. If MDS can exempt administrative charges up to \$15,000, then is it correct in assuming that MDIL and MDPC would have to pay the difference?
- (3) If MDS can exempt administrative charges or contribute up to \$15,000 a year to MDIL and MDPC, would MDIL and MDPC be required to report the exemption or contribution to OCPF as “in-kind” contributions?
- (4) Can MDS exempt or contribute \$7500 to MDIL and \$7500 to MDPC, or \$15,000 to MDIL or MDPC?

Each of these questions relates to a broader issue, the extent to which MDS may contribute to the committees. I have not attempted to set forth an answer to each question in the form and order you have presented them, choosing instead to address the larger issue and to allow my answers to your individual questions to be included in the following discussion.

As long as its general treasury does not contain funds derived from business or professional corporations, MDS may make political expenditures without being subject to the contribution limits or reporting requirements of the campaign finance law as long as such expenditures in the aggregate do not exceed, in a calendar year, either \$15,000 or 10% of MDS’s gross revenues for the previous calendar year, whichever is less. See IB-88-01.

If the appropriate figure relevant to MDS is \$15,000, MDS may expend up to this amount each year to support or oppose candidates, political action committees or party committees, by way of cash contributions, in-kind contributions, and independent expenditures. Generally speaking, MDS has discretion as to how it apportions this amount, with respect to both the committee(s) it chooses to support as well as the types of expenditures made or in-kind services provided. An important exception, however, involves contributions by MDS to MDPC due to MDPC’s status as a people’s committee.

A “people’s committee” is a political committee that begins as a PAC, but then achieves a special status by meeting and maintaining four important criteria: (1) it only receives contributions from individuals, (2) it only receives contributions in amounts of \$123<sup>1</sup> or less in any calendar year, (3) it has been in existence for at least six months, and (4) it has contributed to five or more candidates. See M.G.L. c. 55, §1. Unlike PACs, there are no aggregate limits on what candidates for legislative and statewide office may receive from people’s committees. See M.G.L. c. 55, § 6A. In addition, candidates and elected officials may not “establish, finance, maintain, control, or serve as a principal officer” of a PAC, but may do so for a people’s committee. See M.G.L. c. 55, § 5A.

In order to maintain its status as a people’s committee, MDPC may not accept cash or in-kind services, in any amount, from an association such as MDS. Consequently, MDS may not exempt any administrative services or otherwise contribute to its people’s committee. It must continue to charge MDPC for administrative costs in the manner you described.

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<sup>1</sup> This amount is indexed biennially for inflation. The \$123 figure is in effect for 2002 and 2003.

As a PAC, MDIL is not subject to this restriction. This means that MDS may, assuming that it does not make or intend to make any other expenditures to oppose or support candidates, political action committees or party committees and receives no corporate financial support, provide MDIL with an aggregate benefit of up to \$15,000 per year, taking the form of either cash contributions or administrative services. Depending on the form of the contribution(s), MDIL would disclose the receipt of either a cash donation or in-kind services from MDS. Either way, once MDS has reached the \$15,000 “incidental threshold” for the year, it must charge MDIL for administrative costs unless it wishes to be bound by M.G.L. c. 55 and begin filing campaign finance reports with OCPF.<sup>2</sup>

This opinion is issued within the context of the Massachusetts campaign finance law and is provided solely on the basis of representations in your letter. You may wish to contact the IRS or a tax attorney to determine whether MDS’s support of a PAC would affect the association’s tax status.

Please contact us if you have further questions.

Sincerely,

A handwritten signature in cursive script that reads "Michael J. Sullivan". The signature is written in dark ink and is positioned to the left of a vertical line.

Michael J. Sullivan  
Director

MJS/bp

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<sup>2</sup> As noted, if this limit were reached, MDS would become subject to the contribution limits and reporting requirements that apply to political action committees. The annual contribution limits for contributions made by a PAC are \$500 per candidate or other PAC and an aggregate of \$5000 to party committees of the same party. See M.G.L. c. 55, § 6. The relevant reporting requirements are set forth in clause (e) of M.G.L. c. 55, § 18. MDS would become subject to these provisions as soon as it exceeds the incidental threshold and for each year thereafter until one year after the incidental threshold is not met.